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6 January 1948

MEMORANDUM FOR THE EXECUTIVE FOR A&M

Subject: Transfer of FBIB Monitoring Station from
Cairo to Cyprus

1. Discussions by interested persons of the subject raised in your memorandum of 26 December show the desirability of discussing the move involved with the Foreign Building Operations Office of the Department of State. Normally, that office acquires all territory outside the United States for the requiring agency.

2. Mr. King, the Assistant to the Chief, FBO, saw no difficulty in the general proposition of acquiring property on Cyprus, and establishing a base, and indicated that FBO would be willing to assist. He approved the idea of a team to survey the situation and to make recommendations from the field. On the basis of these recommendations, an administrative determination would be made by this Agency, and that determination would be forwarded to FBO through proper channels for implementation. This would mean that the property in question would be taken for the United States in the name of FBO but for the use of FBIB. Also, engineering and construction would be done under the actual or nominal head of FBO. Furthermore, FBO would arrange the financing of the transaction to the best interests of the Government.

3. For some two years, FBO has been proceeding on overseas acquisitions with the enthusiastic approval of Congress, on the theory that the great backlog of blocked foreign currencies and other assets of the United States abroad should be used to acquire the land. Thus, when prepared to close the deal for CIA, they would determine whether surplus property or certain blocked currencies available in the Middle East could best be used and would make payment on terms to be arranged by them. Since the burden must eventually fall on the using agency, FBO would then notify this Agency of a dollar equivalent of the amount involved, and that dollar equivalent would be turned over to the Treasury, from the proper appropriation limitation as a miscellaneous receipt. The advantages of this procedure are several:

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(a) The name "CIA" need not appear in the deal at all. In fact, there would be every indication that the operation was a State Department affair.

(b) FBO has wide latitude in its authorities for the acquisition of land and construction. Thus, they may negotiate contracts without advertising and bids, and they are not subject to statutory limitations on construction on leased property. Furthermore, they are exempt from the requirement that under normal conditions the Attorney General must approve the validity of title to real property before acquisition.

(c) We would get the benefit of their wide experience and advice, and they could, if necessary, furnish supervisory personnel, although they have no objection to supervision of the project by CIA employees and War Department engineers, if available. Under their procedures, they believe no trained finance man would be necessary, and the technical experts would handle all details.

(d) The financing would be done in accordance with a method approved by Congress, which is decidedly in the best interests of the country in using up foreign assets not otherwise capable of profitable use at this time. Strong Congressional support highly recommends this system of financing.

4. A possible and even probable drawback is the question of increased delay. Mr. King seemed prepared to act quickly on request and to have little red tape. Experience almost always has shown that the involvement of another agency creates delay in clearances and action. I believe, however, if the matter were properly handled and the necessary backing were obtained by pointing out the saving of \$500.00 a day in transmission costs, we could make effective use of FBO's proffered assistance.

LAWRENCE R. HOUSTON
General Counsel

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